

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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AUG 25 1993

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In the Matter of:

Implementation of Sections of the
Cable Television Consumer Protection
and Competition Act of 1992

:MM Docket No. 93-215

COMMENTS OF THE CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

1. The Connecticut Department of Public Utility Control (CDPUC) the franchising authority for 26 cable franchises in Connecticut, respectfully submits comments in response to specific provisions of the Notice of Proposed Rulemaking (NPRM) released in this docket July 16, 1993.

2. The Federal Communications Commission (FCC) solicits comments on the rate levels that the cost-based requirements should produce in relation to benchmark rates. NPRM, paragraph 7. The CDPUC believes that cable operators seeking to justify rates exceeding the benchmark should be permitted wide latitude in providing data and information. The CDPUC, therefore, does not believe it is possible to set a priori rate levels that cost of service studies may produce.

3. In addition, the CDPUC feels that the FCC should adopt a rule which explicitly empowers the local franchising authorities to verify the cost information provided by the cable operators by performing detailed audits of the operators' cost accounting books and records.

4. Franchising authority audits of cost records would benefit all parties involved in a cost-of-service showing. Cable operators will be assured that all allowable and justifiable costs would be included in rates. Subscribers will benefit from knowing the cable operator has properly disclosed all cost data and that the franchising authority has verified the accuracy of the submittal. Finally, the franchising authority will be confident that the decision rendered in the cost of service showing is fair and reasonable to all participants.

5. The FCC seeks comments on the frequency with which cable operators may make cost-of-service showings. The CDPUC agrees with the FCC that once a cost-of-service showing has been evaluated by the local franchising authority or the FCC, another such showing for the tier shall not be made for one year. NPRM, paragraph 17.

6. The FCC seeks comments on whether data and information to be filed in a cost-of-service showing should be presented on a FCC prescribed form. NPRM paragraph 19. The CDPUC agrees that use of such standard forms can reduce administrative burdens and provide a uniform presentation. However, we believe that a cable operator should be allowed to submit additional information as long as the franchising authority has audit rights or can otherwise verify such data, as described in paragraph 3, above.

7. The FCC seeks comment on its tentative conclusion that recovery through regulated cable rates of expenses unrelated to the provision of regulated cable service should be prohibited. NPRM, paragraph 23. The CDPUC concurs with this conclusion.

8. The FCC seeks comments on whether, for the time being, it should only monitor operator depreciation practices. NPRM, paragraph 29. The CDPUC does not object to this policy if cable operators are required to explain and justify their practices in cost-of-service filings. The CDPUC believes that the subject of depreciation is one that may require a separate rulemaking, because: the subject is extremely complex; franchising authorities have not routinely evaluated depreciation in the cable industry for many years; and the potential effects on subscriber rates are great.

9. The FCC seeks comment on its tentative conclusion that it should adopt an original cost methodology to determine the value of a cable operator's plant in service for ratebase purposes. In addition, the FCC seeks comment on whether a portion of excess acquisition costs shall be included in ratebase or amortized over a specified number of years. NPRM paragraph 35. The CDPUC believes excess acquisition costs should be excluded from ratebase for purposes of developing cost-based rates. The CDPUC does not believe that excess acquisition costs, which must be more explicitly defined in the final rule, should be passed on to current and future subscribers.

10. The FCC seeks comment on whether it should exclude from ratebase excess capacity, cost overruns and premature abandonment. NPRM, paragraph 43. The CDPUC believes that cost overruns and premature abandonment should be excluded from ratebase. However, we do not believe that currently unprogrammed channels should necessarily be excluded as excess capacity. What may be considered excess capacity in 1994 may not be considered excess capacity in 1995, and cable operators should be encouraged to construct technologically advanced systems that will be able to provide a wide array of services into the future.

11. The FCC seeks comment on the selection of a maximum rate of return for regulated cable service within the range of 10% - 14% after taxes. NPRM, paragraph 52. The CDPUC does not believe it is fair to cable operators or subscribers to select a single rate of return that would be applicable to the specific circumstances of all franchises. Such an approach cannot possibly be responsive to financial and business risk differences that exist among cable franchises operating in Connecticut. The CDPUC recommends that the appropriate rate of return be determined on a case by case basis. A pre-determined rate of return is artificial and inconsistent with the objectives of allowing cable operators the option of filing cost-of-service showings. If the FCC nevertheless adopts a single rate of return, there should be provisions for its frequent adjustment (possibly on a quarterly basis) and for smaller cable operators to present evidence to justify higher rates of return than industry leaders.

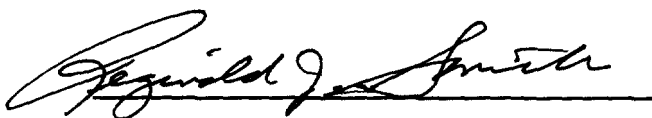
12. The FCC seeks comments on cost accounting requirements. NPRM, paragraph 57. The CDPUC agrees that cable operators should maintain their accounts in accordance with Generally Accepted Accounting Principles (GAAP).

13. The FCC seeks comments on many other subjects in its NPRM. The short comment period prevents the CDPUC from commenting on many of these important issues in this original filing. We hope to be able to provide comments on other topics in our reply comments to be filed September 14, 1993.

Respectfully submitted,

CONNECTICUT DEPARTMENT OF
PUBLIC UTILITY CONTROL

By:

A handwritten signature in dark ink, appearing to read "Reginald J. Smith", is written over a horizontal line.

Reginald J. Smith

Chairperson